
REVIEW OF

Thomas W. Erickson, MAI Appraisal of
Lechuza Villas LLC Property
APN: 4449-007-017
Malibu, California

PREPARED FOR

Mr. Paul Edelman
Deputy Director
Mountains Recreation and Conservation
Authority
570 Avenue 26, Suite 100
Los Angeles, CA 90065

PREPARED BY:

**J.W. GARRETT
& ASSOCIATES**

REAL ESTATE CONSULTANTS
5723 Tenneyson Drive
Agoura Hills, California 91301
Telephone: 818-865-1130 - FAX: 818-865-1131
E-mail: jwgarrett@att.net

J.W. GARRETT & ASSOCIATES

REAL ESTATE CONSULTANTS
5723 Tenneyson Drive
Agoura Hills, California 91301

James W. Garrett, MAI

July 10, 2012

Mr. Paul Edelman
Deputy Director
Mountains Recreation and Conservation Authority
570 Avenue 26, Suite 100
Los Angeles, CA 90065

RE: Review of
Thomas W. Erickson, MAI
Appraisal of Lechuza Villas LLC Property
APN: 4449-007-017
Malibu, California

Dear Mr. Edelman,

At your request, I have performed a review of the above referenced appraisal regarding the Horizon View LLC property located in the City of Malibu, California. The initial appraisal assignment was to prepare an appraisal of the fee simple interest of a single unimproved parcel for potential acquisition purposes. The date of value of the assignment was June 5, 2012, with the date of the report being June 15, 2012. The concluded value was \$770,000.

The scope of the assignment includes a desk review of the appraisal providing a brief summary of the appraisal, an evaluation of the relevance of the sales data used, thoroughness of the analysis, and the conformation of the analysis and report to the Uniform Standards of Professional Appraisal Practice (USPAP). The applicable Standards in this case are Standard 1 (Real Property Appraisal, Development); and, Standard 2 (Real Property Appraisal, Reporting).

This review has been prepared in conformance with the Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation (USPAP). The effective date of my review was July 9, 2012.

This review document is consultative in nature and does not, in itself, constitute an independent appraisal of the property in question. The scope of the review process included a desktop examination only of all the items pertaining to the subject property, data, and analyses. No interviews with property ownership or management have been made. Research conducted pertained only to verification that the sales data used is factual using the Metroscore data service and the Westside Multiple Listing Service. No further verification of the data has been made. By reference, the appraisal which is the subject of this review is made an integral part of this review document. The appraisal report is not included as an attachment.

The function of this review is solely for the use of the Mountains Conservation and Recreation Authority in conjunction with the potential acquisition of the property interests appraised. The purpose of the review is to provide added critical support as to the validity, completeness and reasonableness of the appraisal reviewed.

THOMAS W. ERICKSON, MAI APPRAISAL

The appraisal of the property by Thomas W. Erickson, MAI is dated June 15, 2012 with the date of value of being June 5, 2012. The signing appraiser is Thomas W. Erickson, MAI, California State Certificate No. AG002373.

Report Content

The appraisal is a narrative report prepared in a summary format including all relevant and required sections. Adequate descriptive information is presented regarding the general area, immediate surroundings, and subject property. Main sections of the report include the Introduction, Subject Property Description, and Valuation.

Introduction (Pages 6-16)

The Introduction section includes all information pertaining to Standards of Professional Appraisal Practice requirements, relevant definitions, and information pertaining to the economic conditions of the subject market area, a neighborhood profile, and an overview of the prevailing market.

The appraisal includes all normal assumptions and limiting conditions. It is noted that the appraisal includes an extraordinary assumption based on the premise that, "...the subject lot is buildable and able to qualify for building permits through the City of Malibu and the California Coastal Commission. There is a recorded Certificate of Compliance stating that this is a legal lot. In all likelihood, building permits could be obtained, but if not for some unknown reason, the value would be much lower."

A signed Certification is included as part of the appraisal document.

The Area Information section provides an overview of the national economy, real estate market, and regional economy based upon an article entitled "It's All About Timing: Spring Forward, Fall Back?" by James R. Delisle published in the Appraisal Journal, Winter 2012. The appraiser concludes, "The current and near future economic outlook is turning positive but guarded for personal income growth and demand for high-end real estate. The subject's influencing factors point to stable economic conditions at best. The Neighborhood Profile depicts the subject neighborhood as a beachfront residential community along Pacific Coast Highway in the City of Malibu.

A residential market overview specific to the subject area is included noting that the subject is within a mature residential market with few remaining vacant lots. Prices of homes on small lots range from \$1,530,000 to \$7,925,000.

Subject Property Discussion (Pages 17-23)

The property appraised includes an irregularly shaped parcel containing a total of 4,260 square feet with 56.64 feet of beach frontage. Exhibits include only an Assessor Parcel map. The property is accessed from Pacific Coast Highway with approximately 52.15 feet of road frontage. The subject includes no pad area with the majority of the site being wet beach with a steep cliff from Pacific Coast Highway to the beach. The report notes that all utilities, except sewer, are available to the property. The property is zoned SF-M, a single-family Residential zone and includes no development entitlements.

Significant issues impacting the subject include the fact that it lies within the Big Rock landslide area and Pacific Coast Highway is designated as a Scenic Road. The appraiser has relied upon geological studies prepared by Geoplan, Inc. (April 10, 2003, Project No. 312370) and Stratum Geotechnical Consultants (July 7, 2006) with the conclusion that the subject lot is geologically stable for residential development.

The site includes an encroachment by an adjoining property owner (19562 Pacific Coast Highway) consisting of a set of concrete and stone stairs with an additional potential encroachment of the adjoining property owner's wood deck onto the subject property. The appraisal notes that any encroachments "must be cured prior to close of a potential escrow." No deduction was made for these encroachment conditions.

The Pacific Coast Highway Scenic Road designation requires that any new development would require 20% of the lot frontage to be maintained as one contiguous view corridor, except on lots with a width of 50 feet or less, which are allowed to split the 20% requirement and have 10% of the lot width on each side of the house, or five-foot side yards as contiguous view corridors.

The Highest and Best Use analysis covers each of the considerations for highest and best use as prescribed by appraisal standards. The Highest and Best of the tract has been concluded "to pursue development of a single beachfront residence."

Sales Comparison Approach to Value (Relevant Pages 24-29)

The valuation of the subject has been based upon a Sales Comparison Approach including four primary data items presented in both summary and individual formats. The transactions, including three sales and a listing, occurred between April 2011 and June 2012. The sale properties are of similar residential land parcels located along the beachfront in proximity to the subject. The sites vary from 2,360 to 3,950 square feet in size with prices varying between \$500,000 and \$1,025,000 per lot, and \$8,800 and \$34,167 per front foot of beach exposure.

The analysis consists of a discussion of the data and the relevant factors influencing value. The analyses were prepared on both price per front foot and total price bases with the value conclusions derived being \$14,000 per square foot (\$795,000) and \$750,000 total price. The value conclusion does not reflect the payment of delinquent taxes of \$3,573.72 plus \$38.77 per month interest until paid, but noted that, "If a purchase is executed, this amount should be credited to the buyer if the taxes remain unpaid and become the buyer's responsibility."

Value Conclusion (Page 30)

The conclusion provides no added information, stating the final value estimate for the subject holding on an "as is" basis as of the date of value was \$770,000.

Addendum of Supporting Data

Addenda items include photographs of the subject, a copy of the preliminary title report, details of the sale data with photographs, and the Appraiser's Professional Qualifications.

REVIEW CONCLUSION

Relevance of the Sales Data Used

The sales are all in the general area of the subject property and based on this fact are relevant to the valuation of the subject. The sales are contemporary to the date of value, all having transacted within approximately one year of the date of value. The sale properties each have similar physical attributes to the subject parcel. These factors contribute to the conclusion that the sales presented are the most relevant sales available.

Thoroughness of the Analysis

The Subject Property discussion includes adequate descriptive information regarding the site. The report includes detailed information regarding the primary sale data with a discussion regarding the relative merits of the data items in relation to the subject. While no adjustment or comparative grid summarizing the comparative factors of the sales data has been provided, the data are individually discussed. While not required, such a grid (particularly in qualitative form) would have been a valuable tool to more easily understand the appraisal thought process.

The factual verification of the data included a review of information provided by MetroScan and the Westside Multiple Listing Service with these sources confirming that the data presented is factual. The analysis is considered consistent with the requirements of a summary appraisal format.

The value conclusion is bracketed by the data and appears reasonable.

Uniform Standards of Professional Appraisal Practice (USPAP) Conformance

The appraisal is in substantial conformance with the Uniform Standards of Professional Appraisal Practice.

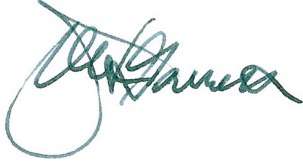
Conclusion

The value conclusions derived appear reasonable given the data and analyses provided. Based upon the findings of my review, I conclude the Thomas W. Erickson, MAI appraisal of the Lechuza Villas LLC property to be in conformance with the Uniform Standards of Professional Appraisal Practice, and that

given the data and analyses presented the value conclusion appears reasonable. It is my recommendation that the appraisal be accepted.

An Appraisal Review Certification, a Summary of General Assumptions and Limiting Conditions, and a Statement of Professional Qualifications have been included as attachments to this letter. If you have any questions or comments, or require additional assistance in this assignment, please call.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "J. W. Garrett", with a large, stylized loop at the end.

James W. Garrett, MAI
Certified General Real Estate Appraiser
Certificate No. AG004008

SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS

None

GENERAL ASSUMPTIONS & LIMITING CONDITIONS

1. This appraisal review has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Foundation. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose other than the party to whom it is addressed without written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.
2. The individual signing this review shall not be required by reason of this report to give further consideration, provide testimony, or appear in court or other legal proceedings unless specific arrangements have been made in advance.
3. Neither all nor part of the contents in this report, or copy thereof, shall be conveyed to the public.
4. The review appraiser made no independent investigations regarding matters of zoning. Therefore, unless otherwise noted, the analyses, opinions, and conclusions set forth in this review appraisal are predicated on the assumption that there are no hazardous or toxic materials in or on the subject property.
5. The review appraiser made no independent investigations regarding matters of zoning. Therefore, unless otherwise noted, the analyses, opinions and conclusions set forth in this review appraisal assume that the property is in full compliance with all federal, state, and local zoning, use, occupancy, and environmental regulations unless otherwise stated.
6. The review appraiser made no independent investigations of soil or geologic conditions affecting the subject property. Therefore, unless otherwise noted, the analyses, opinions, and conclusions set forth in this review appraisal assume that there are no hidden or unapparent conditions of the property, subsoil, or structures (if any) that render the property more or less valuable.
7. This review appraisal is intended solely for the internal use of the Mountains Recreation and Conservation Authority or its assignees for potential acquisition evaluation purposes. Neither all nor any part of the contents of this review appraisal shall be disseminated to the public through advertising, public relations, news, sales or any other media without written consent and approval of the appraiser. Nor shall the appraiser, firm, or professional organization of which the appraiser is a member be identified without written consent of the appraiser.

CERTIFICATE OF APPRAISER

I, James W. Garrett certify that, to the best of my knowledge and belief...

- The facts and data reported by the reviewer and used in the review process are true and correct.
- The analyses, opinions, and conclusions in this review report are limited only by the reported assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in or bias towards, the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved; and, I have no bias with respect to the property that is the subject of the work under review or the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause often client, the mount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
- This review has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- This review has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, and that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- No one provided significant real property appraisal, review appraisal, or appraisal consulting assistance to the person signing this certification.
- I have not made a personal inspection of the property that is the subject of this review.
- I have performed no professional services regarding this property in the last three years.
- As of the date of this report, I, James W. Garrett, MAI, have completed the continuing education program of the Appraisal Institute.

J.W. GARRETT & ASSOCIATES



James W. Garrett, MAI
Certified General Real Estate Appraiser
Certificate No. AG004008

**Professional Qualifications of
James W. Garrett, MAI**

J.W. GARRETT & ASSOCIATES

REAL ESTATE CONSULTANTS

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Agoura Hills, California 91301
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E-mail: jwgarrett@att.net

J.W. GARRETT & ASSOCIATES is a real estate consultation and appraisal firm serving Southern California with offices in Agoura Hills, California. The firm provides a broad range of consultation services to the real estate industry and related fields. The principal of the firm is James W. Garrett, MAI.

SERVICES PROVIDED

- Real Estate Consultation
- Mortgage Loan Support
- Litigation Support
- Real Estate Appraisal Services
- Lender Loan Portfolio Reviews
- Appraisal Review

TYPES OF PROPERTY APPRAISED

Vacant Land

Specializing in land for conservation use including fee acquisition/disposition, donations, and easement valuations. Other assignments have included residential acreage, residential lots, apartment sites, commercial land, industrial land, and desert land.

Residential

Single-family dwellings, garden apartments, high-rise apartments, condominiums, condominium conversions, stock cooperatives, and mobile home developments.

Commercial

Office buildings, retail stores, shopping centers, motels, hotels, restaurants, and service stations.

Industrial

Factories, warehouses, mini-warehouses, business parks, research and development facilities.

Special Purpose

Convalescent hospitals, congregate care facilities, hospitals, marinas, and auto dealerships.

GEOGRAPHIC EXPERIENCE BASE

California

Los Angeles County	Orange County	Marin County
Santa Clara County	Sonoma County	Contra Costa County
El Dorado County	Shasta County	Alameda County
Ventura County	Santa Barbara County	San Mateo County
Riverside County	San Diego County	Solano County
San Bernardino County	Inyo County	Monterey County
Mono County	Kern County	
Fresno County	Sacramento County	

Numerous other states include Arizona, Arkansas, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Maryland, Nevada, New Mexico, New York, Oregon, Pennsylvania, Texas, Utah, Washington, and Wisconsin. Mr. Garrett has completed assignments in more than 30 states.

Qualifications of
James W. Garrett, MAI

Education

Bachelor of Science- Business
University of Southern California

Master of Business Administration
University of Southern California

Professional Affiliations

Appraisal Institute:

Member of Appraisal Institute
MAI Member since 1981 (#6210)
Appraisal Institute:
Executive Committee; 2001
Board of Directors; 1998-2001; 2004
Chair-Admissions Designations and Qualifications Committee; 2005-2006
General Appraiser Council; 2003-2004; Chair 2004
International Relations Committee; 2000-2002
Education Programs Committee; 2000-2002
Regional Education Liaison; 2002
Long Range Planning Committee; 1999
Chair-National Admissions Committee; 1997
General Appraiser Board; 1994-1997
National Admissions Committee; 1990-1993
Chair-Experience Subcommittee - General; 1991
Chief Examiner, Board of Examiners-Experience; 1990
Board of Examiners-Experience; 1982-1989

Southern California Chapter, AI:
Assistant Secretary, 1985
Director, 1987-1988; 1994
Regional Representative, 1991-1992
Special Advisor; 1993

National Association of Realtors - Member
California Association of Realtors - Member
Conejo Valley Association of Realtors, Inc. - Realtor
State of California - Real Estate Broker
State of California - Certified General Real Estate Appraiser, Certificate #AG004008

Appraisal Experience

J.W. GARRETT & ASSOCIATES, Agoura Hills, California - 1992-present

Principal of a full service real estate consulting and appraisal firm serving the real estate industry.

Lea Associates, Los Angeles, California - 1997-1998

Principal of a full service real estate consulting and appraisal firm serving the real estate industry.

MT Associates, Inc., Westlake Village, California - 1977 to 1992

Principal and Senior Vice President of real estate appraisal and consultation firm serving lenders, developers, corporations and individuals.

Wells Fargo Realty Advisors, Marina Del Rey, California - 1976

Appraisal Officer. Performed appraisal and property evaluation functions for both loan and owned property portfolios.

J.W. Garrett & Associates, Los Angeles, California - 1974-1976

Principal of a real estate appraisal firm serving a variety of lenders and private sector clients.

Coldwell Banker Management Corporation, Los Angeles, California - 1972-1974

Appraiser/Real Estate Analyst. Performed feasibility studies, general marketability studies, and appraisals.

Tait Appraisal Company, Los Angeles, California - 1971-1972

Analyst. Concentrated experience in general appraisal analyses.

SELECTED LIST OF PAST CLIENTS

Corporations

Central Garden & Pet Company
Samitaur Constructs
Thousand Trails NACO
Richland Westlake, Inc.
B.E.S.T., Inc.

Carson Estate Company
Midtown Niki Group
Camden Group, Ltd.
Proficiency Capital Corp.

Financial Institutions

Southern California Savings
Union Bank of California
First Los Angeles Bank
World Trade Bank
Charter Pacific Bank
Union Central Life Insurance Co.
Great Northern Annuity

Glendale Federal Bank
Long Beach Savings
Santa Monica Bank
First Charter Bank
First Bank & Trust
General Electric Life Assurance Corp.
General Electric Asset Management

Governmental Agencies

Office of Thrift Supervision
Resolution Trust Corporation (RTC)
Bureau of Land Management (BLM)
Rancho Simi Recreation and Park District
Mountains Recreation and Conservation Authority

Federal Deposit Insurance Corp.
Conejo Recreation & Parks District
National Park Service
U.S. Department of Fish & Wildlife

Conservation Groups

The Nature Conservancy
The Conservation Fund

Trust for Public Lands
Mountains Restoration Trust

Law Firms

Nichols Professional Law Corp.
Smith & Hilbig
Polk & Berke

Goodson & Wachtel
Aran & Aran

Mortgage Advisors

Northland Financial
Dwyer-Curlett

The Alison Company
George Elkins Mortgage Banking Co.

Real Estate Investment Advisors

Carson Estate Company
DA Management
Lehman Brothers

Carillon Advisors, Inc.
Karsten Realty Advisors